

S/047/0081

SITE INSPECTION ML 47287

Date: June 1, 2006

Time: 10:30 AM – 1:30 AM

Persons Present: William Stokes, SITLA

Lease #: O,G & H, ML 47287

DOGM # M/047/081

DOGM Reclamation Bond: \$18,600.00

Lands Inspected: Access in:

SW $\frac{1}{4}$, Section 14, T4S, R20E, SLB&M, Uintah County

S $\frac{1}{2}$, Section 15

All, Section 22

W $\frac{1}{2}$ W $\frac{1}{2}$, Section 23

W $\frac{1}{2}$ W $\frac{1}{2}$, Section 26

E $\frac{1}{2}$ E $\frac{1}{2}$, Section 27

E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$, Section 35

The original Notice of Intent to Commence Small Mining Operations, submitted to the Division of Oil, Gas and Mining, proposes a small surface mining project, the location of which would be determined pending the results of the exploration drilling. Prior to approval to commence with the proposed drilling project Black Sands Holding Company established a materials processing facility which has disturbed approximately one acre. A brief inspection was made of the facility site in the course of this inspection – the results of this site inspection will be discussed under separate cover. The purpose of this inspection was to confirm production and to identify drill site locations. At the facility site the tar sands processing plant had been removed and was apparently shipped out of state for modification, therefore, it was not possible to be in production of the leased substance prior to the May 31, 2006, expiration date of lease ML 47287.

From the Notice of Intent, two drill locations were identified in close proximity to the existing processing facility. Drill site number 1 was identified as being approximately 1,350 feet south of the processing facility. Drill site number 2 was identified as being 1,050 feet east and 250 feet north of the processing facility. At each of these proposed drill sites there was no evidence of drilling. South of the processing facility there were a number of survey points identified with wood lath, painted red and labeled with location information. These survey points may have been placed in anticipation of future drilling. As experienced from other Black Sands projects, exploration drilling frequently occurred at locations other than those identified in the Notice of Intent. Within the lease block an effort was made to inspect all road access, and areas where off road vehicular travel was evident, order to identify drill hole locations that were not identified in the Notice of Intent.

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Two drill hole locations were identified within the lease block. A drill hole located in the W $\frac{1}{2}$ SW $\frac{1}{4}$ of Section 23 was identified as "Drill Point # 4" from information printed on the survey late found at this location. This hole location is on a unmapped road that traverses the S $\frac{1}{2}$ of Section 23. The road appears to have been recently graded and blocked with a pile of dirt just west of the hole location. The drill hole was typically covered with a piece of plywood which was then covered with cuttings from the drill hole. No estimate of the depth of this drill hole was made. A second hole was found in south of the north boundary line of Section 26 in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of the section. The surface expression of the second drill hole is similar to the first drill hole. The holes appeared to have been drilled using an 8 to 10 inch rotary-air drill rig as evidenced by the diameter of the hole and by the cuttings around the drill holes. GPS-UTM coordinates were taken for both drill hole locations identified in this report.

Approval of reclamation surety and approval to drill was issued by DOGM via letter dated May 25, 2006. There are several captioned photographs accompanying this report showing various features observed during the site inspection.



ML 47287, 6-1-06 Looking north from a proposed drill location as identified in the Notice of Intent. In the distance is the processing facility.



ML 47287, 6-1-06 Looking east onto a drill hole that is identified as "Drill Point # 4"
This road is located in the SW $\frac{1}{4}$ of Section 23 and is not shown on the topographic map.
The UTM coordinates for this drill hole is: N 4478729.74, E 614415.06. Just west of this
location the road has been blocked off with a pile of dirt.



ML 47287, 6-01-06 This drill hole is located in the NW $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 26. The lath
has no identifying information on it. The UTM coordinates are: N 4478081.14, E
614689.80